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ABSTRACT

Structured work and training activities for welfare recipients in West Virginia began in 1962 when the state's entire caseload of two-parent families receiving Aid to Families with Dependent Children was enrolled in mandatory work and training activities. In 1980s-1990s, the Community Work Experience Program became an important tool in welfare-to-work initiatives. The federal welfare reform legislation of the 1990s pressured West Virginia to accelerate its implementation of welfare reform with no allowance for the state's lengthy history of economic hardship and unemployment stemming from the problems of the coal, steel, and chemical production industries. West Virginia's serious shortage of unsubsidized employment opportunities has made compliance with the work participation rates specified for Temporary Assistance for Needy Families (TANF) recipients extremely difficult. Despite West Virginia's efforts to prevent TANF enrollment and re-enrollment through support services, diversion payments, and new initiatives aimed at families at risk, the reality of the state's job-scarce economy means that some TANF participants are not likely to leave the system anytime soon. West Virginia's experience demonstrates the shortcomings of the roll-clearing strategies of welfare reform and the fact

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that, although the advent of support services represents a more enlightened approach to welfare, such efforts are no substitute for anti-poverty policies. (Contains 72 references.) (MN)

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WELFARE REFORM IN A HARD PLACE

The West Virginia Experience

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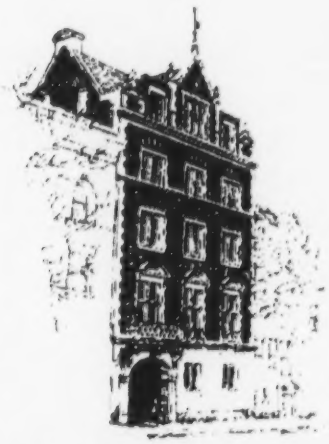

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The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, was established in 1981 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

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Manufactured in the United States of America

Introduction

The unprecedented economic growth of the 1990s not only helped launch state and federal welfare reforms in the U.S., it gave those reforms a particular cast. The early push to change welfare programs toward a focus on work came from the central Great Lakes states, where the economy was strong in the early 1990s. In these states, and under such conditions, it was understandable that the problem of getting poor recipients into jobs was viewed as an issue of individual motivation. If states can use sanctions, time limits, and work requirements to motivate poor people to seek work and avoid assistance; and if governments provide work supports such as childcare and transportation to absorb the costs of working; then welfare recipients might be led to participate in an expanding economy.

But what happens when this model, born of prosperity, is applied to less prosperous times and locations? The U.S. economy had already showed signs of a slowdown and possible recession before September 11, 2001. Beginning in the second quarter of 2001, employment among single mothers with children suffered a sharp decline; and although welfare caseloads typically do not increase until a year or so after unemployment rises, welfare caseloads in many states began to increase several months ago. Between September 2000 and March 2001, 18 states already showed increases in the number of families on TANF assistance. As the effects of rising unemployment since mid-2000 deepen, we should expect to see a much broader rise in welfare rolls in the coming months.

This shift in the economy is likely to pose serious problems for the states for a number of reasons:

1. Most states have relied heavily on caseload reduction credits to achieve their adjusted work participation requirements, which reached their highest level of 50 percent for all families and 90 percent of two-parent families beginning in October 1, 2001 (FY 2002). However, the caseload reduction credits, which averaged 35 percent in FY 1999, are beginning to fall and will surely drop further, so there will be pressure on states to in-

crease their actual or unadjusted work participation rates.

2. In meeting their unadjusted work participation rates, most states have depended on placing recipients in unsubsidized jobs. In FY 1999, the average (or mean) overall work participation rate for all families was 39 percent for the states. The most common work activities were unsubsidized jobs (22 percent) and job search (9 percent), both indicating dependence by states on the labor market. Yet this reliance will be threatened by a recession or economic slowdown, particularly since job search can only count as a work activity for six months.

3. Liberalized earnings and asset disregards, fewer restrictions on the eligibility of two-parent families, and other changes, have expanded the number of working families eligible for assistance on grounds of finances and household characteristics, a change that may increase demands for assistance if a recession depresses employment, hours, and wages.

For these and many other reasons, it is useful to examine how welfare reform might look like in a less than sanguine economy.

That is the subject of this report on welfare reform in West Virginia. As Professor Christopher Plein of West Virginia University notes, by any measure this state lay largely outside the nation's economic bubble. Although poverty and unemployment levels have declined in recent years, their rates in West Virginia remain among the highest in the country. Under such circumstances, can a state get results from a program that tries to move people into jobs by communicating the disadvantages of assistance and the potential gains of work? And if states find that this type of work-based welfare reform does not work, does TANF allow such states to develop quite different strategies that fit their circumstances?

Plein finds that West Virginia has begun to fashion its own approach to welfare reform, one that fits its challenging economic and

social conditions. But the state did not do this all at once. WV WORKS began with a strong emphasis on caseload reduction by counting SSI as income, by persuading people not to enroll in TANF assistance and to rely on other sources (such as Food Stamps), and by confronting people with complex processes involving eligibility determination, enrollment, and work requirements. As Plein shows, however, this case-clearing approach showed limitations. Caseloads declined, but they eventually stalled and crept back up, partly as families who left the welfare rolls began to return. Political support for the SSI provision declined, and administrators seemed concerned about the state's low work participation rates.

The state thus began to evolve a somewhat different strategy. It took advantage of the 1999 administrative rules promulgated by the federal Administration for Children and Families, rules that allowed states to offer a wide array of services to families, especially working families, without being subject to the federal time limits. Using this flexibility, new emphases were assigned to such goals as preventing families who left the rolls from returning and addressing the needs of people who have not left the rolls. The state has also placed greater emphasis on a wider variety of work activities — especially work experience and community service — than most states have to date.

These and Plein's many other insights suggest larger points about welfare reform and devolution. It demonstrates, for example, how dynamic the new welfare systems are. Although there are important continuities, dating back to each state's AFDC program, the new systems can be subject to quick and important changes. This dynamism is facilitated by the enormous flexibility states were given under TANF in designing and revising their mix of services, client targets, and program signals, especially after HHS released its new rules in 1999.

This flexibility and dynamism suggests that states can adapt their programs to weaker economic conditions in now and in the future. However, there are some important challenges evident in the West Virginia story. Simple diversion efforts — such as jawboning people off the rolls and offering short-term cash grants — may not keep

the rolls down. Also, it is clear that a recession will be costly. West Virginia found that their work experience program — offered in lieu of unsubsidized jobs because of their scarcity — required them to increase their low maximum benefit levels in order to compensate participants working 30 hours per week at the minimum wage. Other low benefit states may face similar incentives to reduce the enormous state-to-state gaps in maximum benefits as states become employers of last resort. This tendency may put budgetary pressures on low-benefit states, since the TANF funding formula is based on AFDC spending patterns, which were strongly affected by state maximum benefit levels.

Plein also discerns administrative challenges in managing these new and ever-changing programs. One observation is the limited integration of services for the growing number of families not on cash assistance. TANF has led many states to consolidate services for people on TANF assistance. But now that TANF is serving many people not on cash assistance, it would be reasonable to streamline the provision of services for working families not on the rolls. Yet these families still face organizationally fragmented service systems, which cannot easily address complex needs.

In sum, Professor Plein not only tells an important story of how devolution has evolved in one state, he also provides a glimpse of the challenges many states will face as their economies begin to slow.

L. Christopher Plein, Ph. D. is an associate professor of public administration at West Virginia University. His area of speciality is public policy formation and implementation. Recently, his research has concentrated on the study of Medicaid and welfare reform. For the past four years, Christopher Plein has served as a field research associate with the Rockefeller Institute of Government's State Capacity Study investigating state responses to reforms in Medicaid and welfare policy. Since 1999, he has also been a member of a West Virginia University-based research team that has conducted studies for the West Virginia Department of Health and Human Resources aimed at examining the effect of policy reforms on the well-being of those who have left and those who remain on welfare in West Vir-

ginia. His research has reached national audiences through numerous publications and presentations.

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Welfare is part of our economy here.

Mayor of a rural West Virginia community, October 2000

The February 9, 1960, issue of the *Saturday Evening Post* helped create an enduring image of West Virginia. "The Strange Case of West Virginia" portrayed a state that "although rich in resources and natural beauty ... suffers from chronic, grinding poverty." Senator John F. Kennedy highlighted this portrait in his successful run for the presidency, and the view soon expanded to encompass a little-known region called Appalachia and helped set in motion Lyndon Johnson's War on Poverty.[1]

Forty-one years later, this popular view of West Virginia persists. Though it can be exaggerated, it is not without validity. While economic and social conditions are much better than in 1960, in no small part owing to the legacy of programs initiated during the Johnson administration, economic growth remains elusive in much of the state. And even though West Virginia's unemployment rates today stand at their lowest point since the mid-1970s, they are little better than the national average for the 1990-1992 recession.[2]

Recent research suggests that much of welfare reform's national success in moving welfare clients into employment has stemmed from economic expansion (Schott et al. 1999a, Danziger 1999). This question is largely academic for West Virginia. Even though West Virginia has been warmed, if at a distance, from the heat of a dynamic economy, relative economic expansion and job growth mask

This report is based on two earlier papers by Christopher Plein. The first, "Welfare Reform in a Hard Place: The Case of West Virginia," was presented at the Rural-Urban Welfare Research Roundtable, co-sponsored by the Rural Policy Research Institute and Brookings Center on Urban & Metropolitan Policy at the Brookings Institution, Washington, DC, February 16, 2001. The second paper, "West Virginia's Welfare Reform Experience: The Dynamics of Program Implementation and Development in a Hard Place," was presented at the annual meeting of the Appalachian Studies Association, Snowshoe Resort, West Virginia, April 1, 2001.

systemic factors that continue to make the state one of the poorest in the nation. Census figures illustrate some of these challenges:

- In 1997, only 52 percent of West Virginia's population age 16 and over was employed 15 hours or more a week, compared with the national rate of 64 percent — ranking the state 50th in the nation (U.S. Bureau of the Census 2000).
- In 1998 the state's median household income was $26,704, compared with a national median of $38,885 — again ranking the state last. Personal income in West Virginia averaged $17,180, while the national average was $23,436, ranking the state 49th (U.S. Bureau of the Census 2000).
- In 1998 18 percent of the population lived below the poverty level, compared with a national rate of 13 percent — ranking the state third in the country in poverty (U.S. Bureau of the Census 2000).

These statewide data actually obscure the economic hardship faced by West Virginia's poorest counties — mostly rural. As of 1999, 26 of West Virginia's 55 counties qualified as distressed (Appalachian Regional Commission 1999b).[3] While these counties account for only 32 percent of the state's population, they are home to some 51 percent of the state's welfare recipients. In 1995, these distressed counties accounted for approximately 45 percent of the cash assistance caseload.[4]

The state's 26 distressed counties are not the only regions that face economic challenges. According to the Appalachian Regional Commission (1997: 18), 44 of West Virginia's 55 counties recorded Aid to Families with Dependent Children (AFDC) caseloads in excess of 125 percent of the national average during 1994. Counties falling below this level were mainly metropolitan areas or have mid-size cities within their boundaries. In 10 distressed counties the percentage of families receiving AFDC benefits from 1994 to 1996 exceeded 20 percent (West Virginia Kids Count Fund 1998).

In 1995, the employment participation rate in rural counties stood at 45 percent, compared with the urban average of 56 percent (both lower than the national average of 63 percent) (WV Bureau of Employment Programs 1999). That year, an average of 21 people per 1,000 received AFDC assistance and 83 per 1,000 received food stamps in rural areas. This compares to an urban rate of 16 and 59, respectively (WV Department of Health and Human Resources 1996a, 1996b).

Recent decades have seen substantial out-migration from the state's rural counties, as economic conditions have worsened. Jobs are fewer and lower paying. Public assistance and social insurance programs — including retirement benefits, disability insurance, medical payments, veterans benefits, unemployment insurance, food stamps, and cash assistance — have become an important economic foundation for local rural economies. Indeed, such transfer payments composed 26 percent of the state's total personal income in 1997 (WVU Bureau for Business and Economic Research 1999).

Over the past four decades, West Virginia's welfare system has had to cope with the challenge of providing public assistance and developing work and training programs amid tough economic circumstances. Throughout the 1960s and 1970s, various state and federal initiatives aimed at building human and economic capacity were undertaken (Bradshaw 1992, Lewis 1978, and Whisnant 1984). But despite a long history of implementing work and training programs in tough economic conditions, West Virginia was ill-prepared to fulfill the new responsibilities that were part of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. Like other states, West Virginia pursued aggressive case-closing practices as part of its initial response, but a substantial number of families have returned to the rolls. What's more, a poor labor market has prompted the state to rely on publicly funded positions to a much greater extent than other states. Yet relatively few TANF recipients are participating even in these community-based work experience and volunteer activities. These difficulties stem from both state and local economic circumstances and the systemic and personal barriers to work that welfare recipients face, including lack of childcare and transportation.

West Virginia's limited ability to sustain work placements and its growing recognition of the difficulties confronting many families who have left TANF have convinced it to reorient the program toward services aimed at preventing those families from returning to the rolls. Such adaptation shows that states can and do adjust their policies to conform to reality — and influence federal policymaking in the process. However, the complexity of these challenges holds lessons for states' ability to sustain welfare reform — and to enable recipients to find and keep jobs in tough economic circumstances.

The Evolution of Welfare Reform in West Virginia

West Virginia has been something of a pioneer in establishing structured work and training activities for welfare recipients. The Kennedy administration authorized states to implement a number of work and training programs, and by 1962 West Virginia had enrolled its entire AFDC-U caseload — two-parent families with unemployed adults — in mandatory work and training activities (Ball et al. 1984: 45). These activities focused primarily on adult males, although they evolved to include female adults (Ball et al. 1984: 47). In the 1970s work and training activities were primarily organized under the federal Comprehensive Employment and Training Act (CETA) program and the Work Incentive Program (WIN) and administrative responsibilities were shared between labor and welfare agencies (Foy 1975, Ball et al. 1984). The 1980s saw new programs, such as the Job Opportunities and Basic Skills Training Program (JOBS) and the Job Training Partnership Act (JTPA), focusing on employment training and preparation for the unemployed, the underemployed, and those on welfare.

While JOBS and JTPA are now history, one program, the Community Work Experience Program (CWEP), became an important tool in welfare-to-work initiatives throughout the 1980s and 1990s. It remains today an important part of the state's welfare reform effort. The Omnibus Reconciliation Act of 1981 established CWEP to help welfare recipients gain work experience through placements in

public or nonprofit organizations. Rather than receiving wages from host agencies and organizations, recipients would continue to get a package of benefits from the state including AFDC cash assistance and food stamps. The act did not mandate that the states adopt CWEP, but rather offered it as an option for welfare-to-work design and development (Nathan 1993: 23-24). In West Virginia, the program was seen as an opportunity that meshed well with state priorities to move able-bodied individuals, especially males, off welfare (Ball et al. 1984: xvi).

In the late 1980s and through much of the 1990s, CWEP was central to the state's implementation of the JOBS program. This program, part of the Family Support Act of 1988, was an important step in the evolution of welfare policy and was aimed at placing much of the AFDC population in work activities. Because of limited employment opportunities, West Virginia had to rely on CWEP placements in its efforts to fulfill JOBS program requirements (US General Accounting Office 1995a: 31-33). Under JOBS, states were expected to have 20 percent of their AFDC population engaged in work activities by 1995. Few states reached this threshold, and penalties for states and individuals were negligible (Nathan 1993, U.S. General Accounting Office 1995b, Katz 1996). Still, the Family Support Act foreshadowed much of the Personal Responsibility Act by focusing on AFDC as a transitional benefit rather than a long-term entitlement. In seeking to reform AFDC, the Family Support Act emphasized support services such as childcare and transportation while giving states more flexibility in designing and implementing welfare-to-work efforts (Nathan 1993, US General Accounting Office 1995b). Disagreement over the efficacy of the program prompted calls for greater reform, and states' experiences helped set the agenda for the 1996 reforms.

Over time, the West Virginia CWEP and JOBS experience became the subject of national analysis and review (see Ball et al. 1984, US General Accounting Office 1995a, US General Accounting Office 2000, Ellwood and Welty 2000). The reasons for this attention are abundantly clear, for in few other places do welfare-to-work strategies face a greater challenge than in a job scarce economy. Reviews tended to give good marks for the experi-

ence and training gained by recipients, but noted that there was little that CWEP could do to overcome existing economic conditions. A comprehensive study by the Manpower Demonstration Research Corporation noted that while CWEP participants found experience gained to be worthwhile, their participation did not lead to higher wages or increased employment (U.S. General Accounting Office 1995a: 32). Other analyses pointed out the considerable administrative burdens and costs associated with community work experience initiatives (US General Accounting Office 2000, Ellwood and Welty 2000).

The 1980s and early 1990s were not kind to West Virginia. Job losses in the coal industry grew as mining became more capital intensive, and steel and chemical production fell as firms moved out of state. By the mid 1980s West Virginia had the highest unemployment rate in the nation (Cushing 1994: 24). As relatively well-paying factory and mining jobs disappeared between 1980 and 1990, family and personal income fell throughout the decade (Cushing 1994: 26), and the population declined by 8 percent. Much of the population loss occurred among working-age adults (Hawley 1994: 51), contributing to the state's woes by removing a source of spending in the economy and lowering tax revenues.

Demand for public services grew in West Virginia throughout the early 1990s. By 1995, six percent of the state's population received AFDC benefits, while 17 percent received monthly food stamp benefits (WV Department of Health and Human Resources 1999a). These trends — along with welfare-to-work programs across the United States — prompted efforts to redesign the state's welfare system. In 1995, Governor Gaston Caperton directed the Department of Health and Human Resources to devise a welfare-to-work program for federal waiver review. Working with consultants and drawing on demonstration programs in other states, administrators drew up an experimental program called WV WORKS, which won legislative approval in March 1996.

Meanwhile, partisan politics and new proposals for reform converged to place welfare reform squarely on the national agenda. The new federal welfare program established by the Personal Responsi-

bility Act — called Temporary Assistance for Needy Families (TANF) — limited lifetime eligibility, required most recipients to engage in work activities, and vested the states with new responsibility for ensuring that their welfare population moved into the workforce. The reforms also gave states greater flexibility in designing welfare programs while holding federal funding constant through a block grant that replaced open-ended federal assistance.

The Personal Responsibility Act changed the timetable of reform in West Virginia. The state had planned to introduce welfare-to-work in a select number of more prosperous counties. In fact, slow rollout was seen as key to refining WV WORKS: it would provide lessons in developing subsidized and unsubsidized employment placements, and in changing the priorities of frontline employees from income maintenance to job placement.

The new federal law forced the state to speed up its implementation. Most significantly, the law imposed work activity participation rates and created new funding arrangements that state administrators and policymakers viewed as problematic. Under AFDC, the state had enjoyed a federal match rate of 74 percent for direct program costs. Though at the national level proponents lauded the benefits of the new block grant as both generous and flexible, West Virginia policymakers feared the state would not be able to meet the new requirements or afford the new program.[5]

The state responded by pursuing aggressive case closure practices. This strategy entailed tactics such as establishing a complicated process for determining benefits, sending clear signals to current and potential welfare clients that the state's program was "work first," and using short-term services and benefits to divert recipients from long-term enrollment. By clearing the rolls, the state would contain program costs while achieving caseload reduction credits that would lower the federally mandated work participation rate.

Indeed, the new law provided a strong incentive for states to reduce their caseloads. States would receive credit for cuts from 1995 levels if they did not stem from changes in state or federal eligibility

guidelines. Thus, for example, a 10 percent caseload reduction would reduce a state's mandated welfare workforce participation rate by the same amount. In fact, large caseload reductions could reduce a state's work participation requirement to zero. West Virginia was so successful at roll clearing that its workforce participation rate dropped to 15 percent in fiscal year 1997, 19 percent in 1998, and zero in 1999.[6]

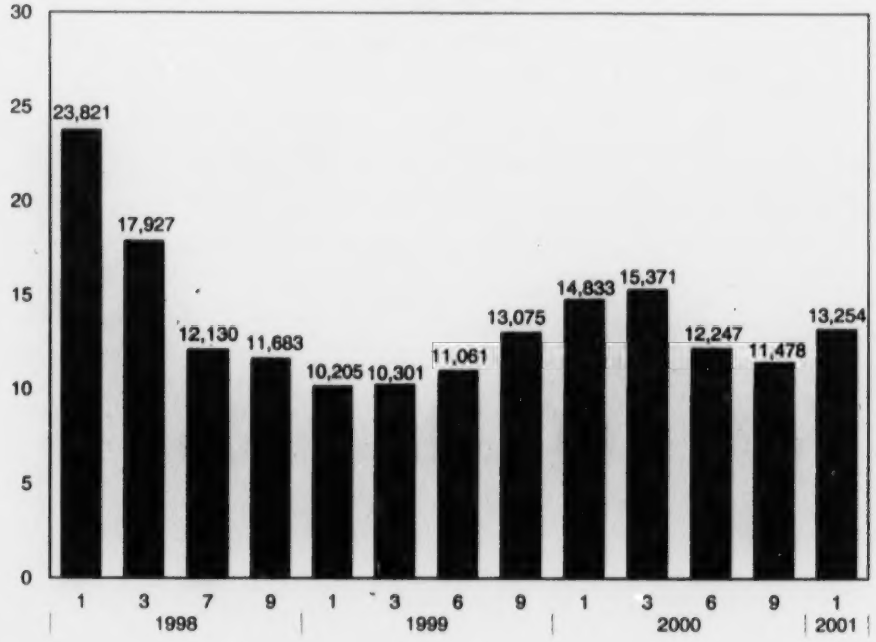
One of the most controversial roll-clearing practices entailed counting Supplemental Security Income in determining eligibility for TANF. Because the policy represented a change in eligibility criteria, the state could not count these closures toward the caseload reduction credit. However, a smaller caseload base eased some of the pressure to move able-bodied recipients into work placements. The state may also have hoped that excluding SSI recipients would provide more flexibility in granting exemptions to hard-to-place recipients once their time limits had expired. While the state argued that it adopted the SSI policy to establish equity with recipients of other federal and state benefits, its motives appeared transparent to many. Litigation and subsequent legislative action forced the state to rescind the policy in 1999.

In 1999, new resources — primarily in the form of TANF surplus dollars and greater regulatory flexibility — reoriented the state toward providing benefits and supports to those who were leaving and had left the rolls. Most importantly, the futility of roll-clearing strategies became apparent. Throughout the later part of 1999 and through 2000, families began to return to TANF rolls. A closer look at families who have left the rolls and those who remain illustrates the challenges of successful welfare reform in West Virginia.

Those Who Have Left the Rolls and Those Who Remain

According to the U.S. Department of Health and Human Services (2000a), the number of AFDC/TANF recipients in West Virginia fell from 119,916 to 31,500 between January 1993 and June 2000 —

Figure 1
TANF Caseloads in West Virginia: Selected Months
1998-2001



a decline of 74 percent. Nationally, the decline was 59 percent. West Virginia recorded its steepest drop between January 1998 and January 1999, the first year WV WORKS was implemented statewide. Some case closures no doubt stemmed from self-selection, as welfare recipients either regarded the new program as too burdensome or sought to preserve their eligibility under the new time limits. Of course, some welfare recipients left the rolls because they found employment. However, a comparison with other state experiences (Loprest 1999, Tweedie et al. 1999) suggests that improving financial circumstances have been less a factor in case closures in West Virginia than in the rest of the nation.

A closer look at the West Virginia experience confirms that its economy is not absorbing many of those who leave the welfare rolls. In 1998 the West Virginia Department of Health and Human Resources estimated that just 35 percent of those who left welfare did so because they found employment. And only 44 percent of former TANF recipients surveyed in 1999 said they had left the rolls be-

Table 1
West Virginia Average Monthly Work Activity Placements, Federal Fiscal Year 1999 (by percent)

Community Work Experience Program	30.7
Unsubsidized employment	24.5
Community service	17.8
Job Search	16.9
Vocational education	6.7
Satisfactory school attendance	5.6
Education related to employment	2.9
Job skills training	2.8
Providing childcare	1.7
Subsidized private employment	1.6
On-the-job training	1.5
Subsidized public employment	0.9

Source: U.S. Department of Health and Human Services, Temporary Assistance to Needy Families (TANF) Program: *Third Annual Report to Congress*, August 2000. Table 3:3.B. Percentages total 113.6 because individuals may have been engaged in one or more activities during an average month.

cause of employment, while only 53 percent reported being employed at the time of the survey (Dilger et al. 1999: i). In short, the state's significant decline in welfare caseloads has not been matched by high job placement.

Table 2
Percent of TANF Households Using Work Experience/ Community Service Activities to Meet Work Requirements: U.S. and WV Averages (1997-1999 fiscal years)

	1997	*1998*	*1999*
West Virginia	49%	68%	49%
United States	17%	23%	13%

Source: USDHHS, Administration for Children and Families, *Temporary Assistance for Needy Families (TANF) Program: Second Annual Report to Congress*, August 1999, Tables 3.2 and 3.5; and *Temporary Assistance for Needy Families (TANF) Program: Third Annual Report to Congress*, August 2000, Table 3.3B.

According to one study that illustrates the troubled status of those who have left welfare (Dilger et al. 1999: i-ii):

- The median hourly income of those who left the rolls was $5.90 per hour.
- More than 80 percent of respondents reported a total annual household income of $10,000 or less in 1998.
- More than 42 percent reported times when they could not afford food after leaving the welfare rolls.
- More than 40 percent reported times when they could not afford medicine since leaving welfare rolls.

Although the state reduced its TANF caseload to 10,301 by March 1999, the effects of roll clearing have not been lasting. By March 2000 the caseload rebounded to 15,371 — an increase of nearly 50 percent (although still well below case numbers prior to WV WORKS). Some of this increase is attributable to the return of SSI recipients to the TANF rolls.[7] As of January 2001, the state's caseload stood at 13,254 (see Figure 1).

Caseload trends have varied across the state, with some of the highest caseloads registered in rural areas. This trend goes against the grain of national studies suggesting that TANF caseloads are becoming more urbanized (Marks et al. 1999, Katz and Allen 2001). The state's rural areas also appear to experience greater variability in caseloads. Distressed counties saw a 79 percent rebound in cases between March 1999 and March 2000 — much greater than the state as whole.

The ultimate goal of work activity is to move welfare recipients into unsubsidized employment that enables self-sufficiency. Where there is a demand for labor, the easiest path is to boost those who are able and experienced into employment through job search assistance (Bartick 2000:2). But participants with personal barriers need other help. Activities short of unsubsidized employment can provide these participants with basic life skills, an orientation to workplace values and practices, on-the-job training, and education and vocational training as steppingstones to the workforce. West Virginia has

Table 3
Percent of TANF Households Using Unsubsidized Jobs to Meet Work Requirements:
West Virginia and United States Monthly Averages (1997-1999 fiscal years)

	1997	*1998*	*1999*
West Virginia	45%	24%	25%
United States	68%	70%	66%

Source: USDHHS, Administration for Children and Families, *Temporary Assistance for Needy Families (TANF) Program: Second Annual Report to Congress*, August 1999, Tables 3.2 and 3.5; and *Temporary Assistance for Needy Families (TANF) Program: Third Annual Report to Congress*, August 2000, Table 3.3B.

relied on subsidized job placements that reward employers for hiring welfare recipients as well as on publicly funded jobs and volunteer activities. In fact, the state's TANF program encompasses 12 kinds of work activities. Table 1 illustrates the average monthly distribution of these activities during fiscal year 1999.

As Table 1 shows, unsubsidized employment accounted for an average of 25 percent of all placements in any given month in 1999. However, most WVWORKS placements occurred through the state's Community Work Experience Program. CWEP places welfare participants in public agencies and non-profit organizations engaged in a range of services, including health and welfare, environmental protection, education, economic development, childcare and public safety (WV Department of Health and Human Resources 1999b: sec 24.8).[8] CWEP participants receive cash assistance and food stamps for their work rather than wages or employee benefits (US General Accounting Office 1995a: 31).

When it cannot arrange employment or CWEP placements, or when participants face substantial barriers to work, the state assigns families to community service activities. These range from life skills and parenting classes, to care of a family's own dependents, to career planning and skills development, to volunteer work in schools, libraries, government agencies, and non-profit organizations. Disabled recipients count participation in sheltered workshop activities toward community service, while those in need of mental health

counseling or substance abuse treatment count those activities (WV Department of Health and Human Resources 1999b: 24.10).

As Table 2 illustrates, West Virginia now relies on its CWEP and community service programs to a much greater degree than the national average.

The state's reliance on CWEP and community service has become a topic of debate. Critics believe it reflects convenience rather than necessity. Early in the implementation of WV WORKS, a legislative audit criticized the Department of Health and Human Resources for relying too much on the CWEP program (WV Office of the Legislative Auditor 1997). Welfare advocates and clients continue to complain that these positions entail "make work," and that participants' time would be better spent on job training and vocational and post-secondary education. These critics also maintain that CWEP placements in cash-strapped local governments and community service organizations rarely lead to full-time unsubsidized employment.

However, the state contends that its approach reflects a lack of employment opportunities, and national studies have been sympathetic to this view. For example, while describing the program as more akin to welfare than a job because participants do not receive wages or benefits and must participate, the U.S. General Accounting Office (2000: 29) maintains that they gain useful work experience that they might otherwise not accrue in a poor job market. Others have pointed out that West Virginia can serve as a model for other states in developing public-sector placements for the poor (Bischak 1997: 5).

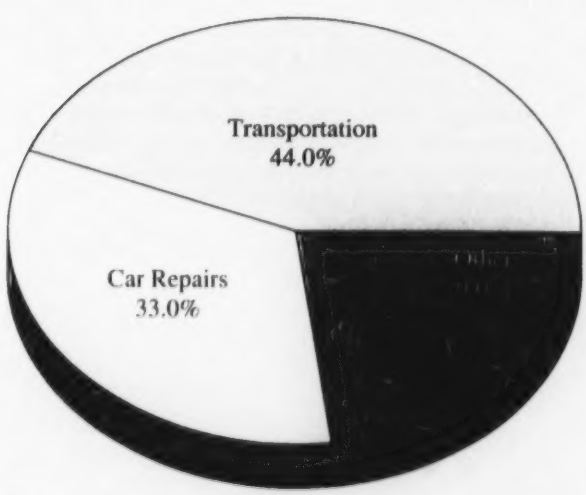
The CWEP program has not always meshed with federal labor law. CWEP participants must receive a benefits package that accords with the requirements of the Fair Labor Standards Act. The total benefit, which is based a family's total cash assistance and food stamp allowance, must be divided by the federal minimum hourly wage to determine the number of hours that the participant can work per week. A number of West Virginia district offices found themselves out of compliance during the first months of implementing

TANF. Limiting the hours participants worked to conform with the law meant that they did not satisfy minimum TANF work requirements (WV Office of the Legislative Auditor1997: 30). Rising federal work requirements compounded this problem.

In 1999, the state realized that it would have to raise the monthly cash assistance payment to make CWEP placements a viable TANF work activity. Average monthly assistance payments rose by $200 from January 1999 to December 2000, to an average of $450 for a family of three. The Department of Health and Human Resources (2000b) reasons that "by raising the amount of cash assistance received, the number of allowable work hours also goes up."

A review of fiscal years 1997, 1998, and 1999 shows West Virginia's dependence on its Community Work Experience Program, job search activities, and volunteer community service activities to satisfy federal work participation requirements.[9] The lack of unsubsidized placements in West Virginia becomes clearly evident when compared with national averages (see Table 3).

Figure 2
Allocation of Support Services: 2000 Calendar Year



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One of the most notable features of welfare reform in West Virginia is the overall lack of participation in all such activities. In 1999, the average monthly percentage of the non-exempt TANF population engaged in work activities stood at 26 percent, compared with a national average of 38 percent. Most qualified TANF recipients are either not involved in work activities or fail to work the requisite hours to satisfy federal guidelines.

Two factors allow West Virginia to perform below the mandated participation rate. The first is its caseload reduction credit, which has lowered the state required participation rate far below federal benchmarks. During the first year of TANF, when federal law mandated an overall rate of 25 percent, the state's rate was 18 percent. In 1998, when federal requirement rose to 30 percent, the state surpassed this with 33 percent participation. But in 1999 the state's participation rate declined to 26 percent while the federal rate increased to 35 percent (WV Department of Health and Human Resources 2000a: 12-13). The state was not penalized because of caseload reduction credits. A more difficult target has been the two-parent participation rate: at no time has West Virginia met this threshold. This suggests that participants' difficulties in securing childcare, housing, transportation, and viable work activities continue to plague West Virginia's TANF program.[10]

The second factor in the state's low work participation rates rests more with the TANF population. Since individuals are provided a 24-month exemption from work activities over their lifetime, the first two years of TANF implementation allowed some breathing room for those either uninterested or unable to participate conveniently. Because many of these individuals initially left the rolls and have returned only within the past year or so, some have been able to stretch their exemptions into this year. While there is no evidence that the state encouraged individuals to draw on their work activity exemption, in the short run such an approach certainly took some of the pressure off the state to place individuals in work activities.

Through its roll-clearing efforts, the state bought itself time to figure out how to make welfare reform work in poor economic circumstances. But this choice has likely compounded the challenges

that the state now faces in serving those on, those leaving, and those off welfare. The state now faces added pressure in finding work placements for recipients exhausting their 24-month exemptions. The steps that the state is now taking to refine welfare reform reflect the challenges ahead.

Refining Welfare Reform: The New Realities of Public Assistance

"Myself, I feel West Virginia does not take care of their own. No wonder people leave the state for work and stability."

Former AFDC/TANF recipient, August 1999

This quote is one of many responses to a survey of former WV WORKS recipients. When asked "If there was one thing you could do to improve your own well-being, what would it be?" some 29 percent of respondents said they would get a job or a better-paying job. A similar percentage gave this response when asked what could be done to improve the well-being of their families (Dilger et al. 1999: 2). Securing and retaining a job is one of the greatest challenges for those leaving the welfare system. Many factors can contribute to failure to fulfill this goal, including poor wages, lack of childcare and transportation, seasonal variation in labor demand, and economic downturns.

The state has stepped up its efforts to provide a range of services to assist those who remain on TANF and those who have left the rolls. Key to this development are provisions in the federal TANF regulations issued in 1999. First proposed in November 1997, these regulations took almost two years to develop and enact. These rules have narrowed the definition of cash assistance — reversing past regulatory guidance. As originally interpreted by the Department of Health and Human Services, cash assistance triggered work participation requirements, and such assistance counted against families' lifetime eligibility limit (Greenberg and Savner 1999: 6). But the 1999 regulations limit the definition of cash assistance to payments

and benefits that provide for ongoing needs. These guidelines exclude short-term services and diversion payments, as well as longer-term assistance payments extended to those who are employed (U.S. Department of Health and Human Services 1999b: 17880).

West Virginia has responded to these guidelines by offering a wide array of services to current and former WV WORKS recipients who are participating in a work activity or who hold a job. Family income must be 185 percent of the federal poverty limit or less, and former WVWORKS recipients are limited to 12 months of services. These range from clothing vouchers, to small cash grants to assist clients in obtaining professional licenses and equipment, to payments to cover incidental expenses associated with job interviews and employment, to relocation assistance, to vehicle insurance payments. During the 2000 calendar year, the state disbursed over $11 million in such support services — with over 39 percent directed to former WV WORKS recipients (WV Department of Health and Human Resources 2001) (see Figure 2).

As the figure illustrates, the state devoted some 44 percent of such expenditures to transportation assistance: over 33,500 payments reimbursed participants for the use of personal vehicles or public transportation. Of the $4.86 million spent on this service, 64 percent went to current WVWORKS recipients and 36 percent to those no longer on the rolls. The second greatest expenditure — for car repairs — totaled $3.69 million, or 33 percent of all support service disbursements. In all the state made over 8,000 payments, with some 59 percent going to current WVWORKS recipients (WV Department of Health and Human Resources 2001).

The fact that over two-thirds of support services in 2000 were dedicated to transportation needs is not surprising, given that rural areas often lack public transportation and require long commutes. In fact, the state has recently embarked on a program called WV WHEELS that obligates over $4.8 million in surplus TANF funds during fiscal 2001 to funding personal transportation. This lease-to-own program allows qualified participants to lease a car for up to two years for under $100 a month. The state has contracted

with various non-governmental entities to administer the program (WV Department of Health and Human Resources 2000a: 24).

The state moved cautiously in creating such new services because of TANF budget concerns, but the steep decline in welfare cases meant that the TANF surplus exceeded the actual budget $20 million by early 2000. With approximately $160 million in hand, the state came under pressure to provide more generous cash assistance and create new support programs, from federal authorities as well as state welfare advocates and policymakers. The state has therefore obligated over $27 million to government and non-governmental entities to pursue initiatives ranging from truancy diversion to parenting classes (WV Department of Health and Human Resources 2001). Because most of these programs are only now under way, it is too soon to assess their efficacy and impact.

Another key obstacle to work is a lack of childcare. Welfare participants have long cited a lack of affordable and accessible childcare as an obstacle to work and training activities, and such obstacles to work figure prominently in the survey of former WV WORKS recipients. Some 17 percent of unemployed respondents identified a lack of childcare as a reason they were not at work, while 20 percent reported that even if childcare were available they could not afford it (Dilger et al. 1999: 13). The West Virginia Department of Health and Human Resources has begun to improve the state's childcare infrastructure by providing higher subsidies for care. For the 2001 state fiscal year, the state obligated some $22 million of its TANF budget to its child development block grant. This annual investment doubles the amount spent in fiscal year 1999 (Plein and Williams 2000).

In addition to providing support services and other initiatives to prevent recipients from returning to the rolls, states now have more flexibility in using diversion payments to prevent enrollment. Under the original interpretation of the Personal Responsibility Act, diversion payments were limited to a one-time lump sum that equaled no more than three months of cash assistance, and this payment counted against the 60-month lifetime limit. Newer regulations allow for lump-sum diversion payments totaling four months of cash assis-

tance, and do not require such payments to count toward eligibility limits.

West Virginia has fashioned a diversion payment program that relies on these allowances. Diversion in the state is much different today than during the first two years of welfare reform, when it focused on persuading AFDC clients not to enroll in TANF. Diversion practices encouraged these clients to seek assistance through other programs such as Medicaid and food stamps, stressed the fact that WV WORKS was a "work first" program, and confronted applicants with a complex eligibility determination and enrollment process. Diversion payments were used as a last resort (Plein and Williams 1997, Nathan and Gais 1999, Gais et al. 2001).

Today the focus is on preventing those who have left WVWORKS from returning to the rolls. Priority is given to providing support services and other benefits to those who may still need assistance. Most significant is the more liberal policy toward diversion payments. Still, although state program administrators stress the importance of diversion payments, local practice continues to emphasize conserving agency resources, and state-level administrators have had to encourage field staff to use diversion payments more frequently (Plein and Williams 2000).

While the state's recent efforts have focused on preventing TANF enrollment and reenrollment through support services, diversion payments, and new initiatives aimed at families at risk, the state is also giving greater consideration to those who remain on and return to the rolls. These programs address the reality that some TANF participants are not likely to leave the system anytime soon.

The state has pursued three main efforts on this front. The first entails developing criteria for exempting individuals from the 60-month TANF time limit; federal law allows states to exempt up to 20 percent of their caseload. In the second effort, in March 2001 the state initiated the In Service to West Virginia Program, which assists those who have surpassed 48 months on WVWORKS. This stated-funded public works program involves recipients in community service projects that include construction work, grounds and fa-

cilities maintenance, and geriatric care. The Department of Health and Human Resources plans to rely on the state's Bureau for Employment Programs to coordinate these placements (West Virginia Department of Health and Human Resources 2000b).

A third initiative entails recategorizing some TANF cases as "child-only." The state now counts many families where parents are SSI recipients as child only (WV Department of Health and Human Resources 2000b), thereby exempting adults from work requirements while preserving their TANF eligibility. These cases do not count in work participation calculations. Approximately one-third of the state's total caseload is now categorized as child-only, mirroring national trends (U.S. Department of Health and Human Services 2000b: 4).

Like other states, West Virginia (2000) has noted that moving able-bodied individuals off the rolls has freed up resources to serve those who remain (Sweeney et al. 2000, Tweedie 2000, U.S. General Accounting Office 2000, U.S. General Accounting Office 2001). However, such assumptions overlook the fact that able-bodied individuals are returning to the rolls because they cannot secure and maintain employment in a job-scarce environment. The state will face additional burdens in developing work placements for these individuals.

The move off of welfare is slow for many because a job-scarce economy provides only temporary or part-time employment. To smooth this process, states have long used income disregards that allow families to earn wages while remaining on TANF. Limited disregards were originally designed to encouraged participation in work experience programs and workfare initiatives in the 1980s. These disregards became an important part of WV WORKS. The program initially established a disregard of 40 percent of family earnings, but the state increased this to 60 percent under recent federal regulations designed to help families transition out of welfare. However, the paucity of unsubsidized employment opportunities in the state has limited the effects of this new provision.

A lack of case management support has made families' transition off welfare more abrupt. Under WV WORKS, a family support specialist was supposed coordinate a continuum of services while holding the family accountable for its efforts to leave welfare, freeing clients from the fragmented and often impersonal arrangements under AFDC (Plein and Williams 2000).

However, this holistic approach applies only to TANF clients. Those who need other assistance, such as Medicaid and food stamps, may be referred to any number of field office personnel. This disjunction can prove problematic for clients who may qualify for Medicaid, food stamps, and other benefits even though they are not eligible for TANF benefits, and who are part of the TANF diversion process (Plein and Williams 2000). The state has begun to address this problem by allowing family support specialists to assist families for 90 days after they leave WV WORKS because of earnings.

Nowhere is the need for better integration of services apparent than in the relationship between the welfare and employment bureaucracies. Relations between these two entities were anything but smooth during the initial months of reform. Welfare workers felt that the Department of Health and Human Resources had taken on the burden of policy design and the risk of program failure, while the Bureau for Employment Programs stood to gain from grants under the federal Welfare-to-Work program. This tension has meant that relatively few WV WORKS recipients have participated in that program, and that the Department of Health and Human Resources has assumed most responsibility for placing participants in work activities. (The future of job training in the state is even more uncertain because the Bureau for Employment Programs is trying to establish a niche under the Workforce Initiative Act of 1998, which shifted control of job-training programs to workforce investment councils.)

Nationally, much has been made of the importance of "cultural change" that encourages managers and front-line workers to focus on placing clients in employment rather than providing cash assistance (see Nathan and Gais 1999, Gais et al. 2001). In many locations, the effort to reinvent social service bureaucracies has

benefited from economic expansion, which allows plenty of room for error. Although this cultural change was an explicit goal of WV WORKS, it has yet not occurred: effective placement is difficult where jobs are scarce.

In addition to promoting links between welfare, employment, and other government agencies, observers stress that cooperation and coordination with non-governmental service providers is critical to moving families off welfare (see Rich 1999). However, the relationship between the West Virginia Department of Health and Human Resources and the welfare policy community — once joint members of a welfare reform coalition — has been turbulent. When the state began to devise a welfare-to-work program in 1995, the department consulted with community service organizations and welfare advocacy groups. Some district offices also worked with local groups to develop cooperative ventures in life skills training, clothing pantries for children and adults, and in one case even a client advocacy corps to assist TANF applicants and recipients in negotiating and interpreting their personal responsibility contracts. However, case-clearing strategies created schisms between the department and many in the welfare policy community (Plein and Williams 1997). Criticism over the state's failure to spend its TANF surplus intensified these divisions.

Reestablishing trust with disaffected welfare and community service networks is important if the state is to become more responsive to those who have left TANF. The state's recent efforts to spend TANF dollars through community-based programs and expansion of support services will likely facilitate this reconciliation. The network of providers and institutions may even expand as TANF dollars benefit families beyond those immediately at risk. Investment of TANF funds in childcare subsidies, clothing vouchers for low-income children, programs for at-risk youths regardless of income level, and community service projects build general capacity, much the way Medicaid dollars have traditionally subsidized the public health infrastructure. Some observers suggest that this is the real promise of welfare reform. However, it will be something of a paradox if states use federal TANF dollars to build capacity when recent Medicaid reforms have tried to curtail this practice.

Assessing State Performance to Gain Lessons for Other States

West Virginia has a long history of implementing welfare programs in difficult economic circumstances. Since the 1960s, the state has aimed to build human capital and capacity by providing job training, work experience, and placements for its unemployed, poor, and displaced residents. For those on AFDC, these programs were essentially structured as opportunities that carried little threat of sanction for failure to participate. With the Personal Responsibility and Work Opportunity Act, the opportunity to work is now an obligation. Not only are those receiving benefits being tested by a new public assistance paradigm, but so too are welfare systems.

It is now apparent that many states — including West Virginia — responded to the new law with misplaced priorities, from the standpoint of the welfare population as well as many of those calling for reform. The consequences of roll-clearing strategies that provided little assistance became apparent as families experienced hardship. The realization that getting people off the rolls was much easier than keeping them off convinced West Virginia to become more responsive to the needs of those both on and off TANF, and more comfortable with its responsibilities under new federal law. A similar progression seems to have occurred in other states (Nathan and Gais 1999, Tweedie 2000, Gais et al. 2001).

These experiences suggest the following lessons:

The legacy of case-clearing practices will continue to shape TANF administration. Through the caseload reduction credit, West Virginia has deferred some of the more difficult issues surrounding work placement. By 1999, West Virginia had reduced its work participation rate to zero, as had 22 other states. (Eight states or territories recorded participation rates lower than West Virginia's 25.6 percent. About half the states did not reach the 35 percent threshold mandated in federal law, but because of caseload reduction credits, only one state and two territories were out of compliance [U.S. Department of Health and Human Services 2000b: 45].)

In some states, a robust job market has likely absorbed numerous families leaving the rolls. But this is not the case in West Virginia, where less than half of surveyed families cited employment as a reason for leaving welfare (Dilger et al. 1999: i). Even in many other states, the percentage of those employed after leaving TANF is low enough to be a major concern should economic conditions worsen (Tweedie 2000). And West Virginia's experience with growing rolls is not unique: the decline in welfare loads across the United States appears to have leveled off, and caseloads grew in 11 states in 2000 (Meckler 2001).

The return of families to the TANF rolls in West Virginia suggests that the legacy of case clearing may be costly. What's more, case-reduction credits have arguably put those who remain on welfare at risk (Schott et al. 1999b). By clearing the rolls, the states may not have had to invest as heavily in creating work placements, and states may have enjoyed some breathing room while cutting into the limited time that individuals are exempt from work activities. The need to place these individuals in work activities, coupled with the return of individuals to the rolls, will heighten demand on placements.

Community work experience and community service are not a panacea for the mandated work objectives of welfare reform. To address the challenges of providing placements in poor economic conditions, some observers have advocated greater investment in public-sector jobs and work experience programs (Bischak 1997, Johnson 1999, Pavetti 1999, Bartick 2000). However, those seeking inspiration from the West Virginia experience should not overlook the limitations of publicly funded work placement. Only a quarter of the eligible TANF caseload is participating in work activities, and CWEP accounts for one-third of those positions. The number of placements CWEP can organize and the duration for which individuals can participate are limited. Indeed, community service activities are being used, in part, as a substitute for CWEP placements.

Four forces will likely exacerbate this situation. First, the state is under pressure to find more placements as recipients exhaust their 24-month exemption from work activities. Second, higher federal

work participation rates will increase demand for placements — especially among two-parent cases. Third, as rolls rebound, caseload reduction credits will fall, and more individuals will need to be placed in work activities. Finally, an economic downturn will further constrict the job market, placing even more pressure on the placement system.

Because West Virginia was a pioneer in community work experience, government reports and other literature frequently cite this record. However, these reviews tend to concentrate on the state's experiences in the 1980s rather than on the post-AFDC era. And we should not overlook concerns raised by these earlier reviews. For example, in examining West Virginia's experience during the early 1980s, Ball et al. cautioned against assuming that other states could easily replicate CWEP by noting distinct economic and administrative factors (1984:156). Ball et al. (1984) also noted that the program had been designed primarily for adult males in two-parent AFDC households, and that expanding the program to single-parent households would pose challenges. Given the complexities of meeting the challenges of moving single-parents into work activities, another observer of welfare-to-work efforts in the 1980s stressed that reformers should not expect quick results and that efforts might be better concentrated on more incremental approaches to reform (Wiseman 1988: 14). Evaluations of pre-TANF community work experience initiatives have also identified the significant costs associated with program startup and management (Ellwood and Welty 2000: 347-348). The challenges of developing such programs are even more daunting when states attempt to expand mandatory work requirements to most of the adult welfare population (Ellwood and Welty 2000, Bartick 2000).

The utility of work activities will continue to be debated. Analysts have debated the efficacy and appropriateness of welfare-to-work initiatives for over 30 years. Some observers see these initiatives as a path toward self-reliance. Others dismiss them as little more than make-work efforts that overlook systemic causes of need. Still others question the effectiveness of such programs in helping individuals secure and hold employment.

Nathan notes that a new image of workfare began to shape policy discussions and development in the 1980s (1993: 14-15). This approach focused on providing support services as people sought to learn the skills necessary to gain employment. However, this approach, embodied in CWEP and the JOBS program, did not supplant more traditional beliefs that individuals were largely responsible for their situations, and that they should work for benefits and assistance. By the early 1990s depictions of welfare dependence reflected shadings of the traditionalistic model (Nathan 1993:110), setting the stage for the view of welfare status as a matter of personal choice and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

The act's stark lifetime eligibility limits, work obligations, and moral position stressing marriage and two-parent families made it something of a throwback to an earlier vision. West Virginia's original WV WORKS program reflected the newer workfare model, but the new federal law prompted the state to retool its priorities along traditionalistic lines. Claims that the program was a "work first" initiative and other efforts to clear the rolls did not reflect enlightened aid to families moving from welfare to work so much as an attempt to foster guilt and fear among those seeking public assistance. A similar pattern occurred in many other states (Tweedie 2000, Gais et al. 2001).

But with experience, TANF seems to have taken on more of the elements of "new-style" workfare. The U.S. Department of Health and Human Services has emphasized transitional benefits such as Medicaid and food stamps for those leaving the rolls, and 1999 regulations gave states more flexibility in providing support services to those leaving and those who have left the rolls. States helped initiate these federal changes, and have responded by providing more services and benefits to those at risk of rejoining the rolls (Plein 2001). States are also addressing systemic barriers to employment by expanding their childcare and transportation subsidies.

However, one element of the traditionalist approach — the lifetime limit on TANF eligibility — continues to shape implementation of welfare reform. Its presence reveals either a misunderstanding or

a denial of simple macroeconomic theory. Personal responsibility, or lack thereof, may be at the root of some families' dependence on public assistance, but economic circumstances beyond their control bring many families into the welfare system. Still, the lifetime limit may soften. States are funding their own programs for families who are nearing or have reached their lifetime limits, and federal law allows states to exempt 20 percent of the welfare caseload. States are also becoming more creative in providing supports and benefits that do not count against the time limit. As we have seen in West Virginia, reclassification of some cases as child-only will also extend the time that families can receive benefits.

The uneven distribution of caseloads across a state reveals the challenges facing welfare administration. The West Virginia experience reveals substantial differences in how welfare reform has played out at the local level. Portions of the state have fared well — caseloads have declined and remain low. But other regions retain relatively high caseloads, and the rate of returns to the rolls has varied across the state.

The outcomes of welfare reform cannot be fully understood by surveying national trends or even states. A more complete understanding requires consideration of sub-state variation. This theme — especially distinctions between rural and urban areas — is receiving more attention in assessments of the effects of welfare reform (Rural Policy Research Institute 2001, Allen and Kirby 2000). Critiques of the Personal Responsibility Act often center on the lack of attention to spatial differences within the welfare population (Bischak 1997, Tickameyer et al. 2000).

Differences in local economies, demographics, and access to social services and transportation can influence welfare reform and the need for public assistance. In West Virginia, the most distressed counties are clearly not faring well. These rural counties have relied on extractive industries such as coal mining and timbering, which are in decline, and unsubsidized employment opportunities for those on and leaving welfare are scarce. These circumstances create special challenges under a TANF system that expects work activities and limits lifetime eligibility.

Differences in the practices and cultures of local welfare offices may also account for some variation. As Nathan and Gais (1999: 35) have noted, "second-order devolution" reveals the variety of experiences associated with reforming welfare. Even a state like West Virginia that directs operations from the state capital allows considerable flexibility at the local level.

Necessity rather than design has prompted state officials to delegate greater authority to lower levels. Nowhere is this clearer than in the state's recent efforts to spend-down the TANF surplus by supporting new community-based initiatives. A lack of administrative capacity at the state level, coupled with a pressing need to move on the surplus, spurred this development. In a state where the highest echelons of the Department of Health and Human Resources have long directed contract and grant management, reliance on local and regional managers to review and recommend funding for proposals marks a significant departure. It will be interesting to see if this development will become a trend.

Welfare reform has segmented the welfare population. Popular and political views have often overlooked differences among those who rely on public assistance. Indeed, early critics maintained that the Personal Responsibility Act failed to distinguish between the "hard-core" segment of the welfare population and those who moved in and out of the system owing to unstable employment and family circumstances (Edelman 1997, Bernstein and Greenberg 2001).

West Virginia has divided its public assistance program into an array of categories, including "child-only cases" with parents on SSI, transitional cases involving those who have left or are leaving TANF owing to higher income, regular WV WORKS cases with 13 or more months of eligibility remaining, and cases with 12 months or less of eligibility who will soon enter a state-funded cash assistance and work activity program.

For all practical purposes, the TANF population now consists of three major subgroups: families who remain, those who are leaving, and those who have left. TANF initially prompted states to focus on

cutting caseloads (Pavetti 1999: 242), but experience has demanded some consideration of the dynamics of the TANF population. As states devise programs to assist various groups, they must find ways to mesh services as a family's status changes.

The advent of support services represents a more enlightened approach to welfare, but these efforts are not a substitute for anti-poverty policies. The defining event in West Virginia's TANF experience has been the turn away from case-clearing strategies to the use of services to assist those who have left WV WORKS and those who remain. Recent federal rules give states more flexibility to assist those in need. In West Virginia, the state is concentrating these services on families whose income is 185 percent of the federal poverty level or less. Not included are those who have never been on TANF. In other words, supportive services do not reach to all of the poor. States have the authority to expand the base of services beyond the current and recent TANF population, and some are doing so. But the pool of funds for such services is limited, and any economic downturn would surely put a strain on these programs and services.

Systemic economic challenges have shaped welfare reform in West Virginia. A lack of job opportunities has resulted in a heavy reliance on work activities other than unsubsidized employment. The poor economic climate is probably also responsible for the overall lack of work participation by participants in WV WORKS. The conditions associated with a poor economy go beyond the lack of job opportunities to include a scarcity of community resources such as childcare and social services that are needed to secure and hold on to employment. West Virginia is not alone in this regard. A growing body of literature on welfare reform in rural areas shows the difficulties of implementing TANF in regions experiencing economic distress (Rural Policy Research Institute 1999, 2001).

Welfare reform shows how federal and state interaction can influence the course and path of policy development and implementation. Those who study the policy process know implementation helps define public policy. But the Personal Responsibility Act also shows how feedback from states can influence the rulemaking process. The federal government developed regulations aimed at inter-

preting key provisions of the new welfare law for almost two years. The final rule relied on experiences from across the country and feedback from state governments on draft guidelines issued in November 1997 (Plein 2001). This rule gave states greater flexibility in funding programs for those who have or will soon exhaust their eligibility limits, and clarified their responsibilities in welfare-to-work programs that predate the Personal Responsibility Act (U.S. Department of Health and Human Services 1999a, Greenberg and Savner, 1999, Schott et al. 1999b). States are now operating in a clearer policy environment, and they will likely continue to adjust welfare reform toward the needs of those who have left the rolls or are at risk of entering the system.

The TANF reform experience gives credence to the adage that implementing policy entails learning by doing, as administrators grapple with complexities under-appreciated by those who made a law. Indeed, improvisation often trumps the grand designs of public policy. As devolution in the 1980s revealed, significant innovation and response can result when state and local policymakers and administrators try to make sense of changes wrought at the national level (Nathan and Doolittle 1987).

Implementation of the Personal Responsibility Act has been characterized as a test of state capacity and adaptability. As Gais et al. (2001: 5) have noted, "From this perspective, implementation does not produce closure, some final consonance between law and administrative behavior. Instead, it demands the ability to recognize problems, devise new solutions, and put those solutions into effect."

The West Virginia case reveals how states can redesign programs in response to changing circumstances. Fear and ambiguity led to initial policy choices that undermined the overall aims of welfare reform. However, experience with implementation, pressure on state officials by welfare rights advocates, and further clarification of state options through new federal regulations have enabled the system to become more responsive to the needs of those on, those leaving, and those off welfare. This trend is occurring across the states.

Holding down the TANF caseload is still a top priority for West Virginia's welfare system, but practice today is much different from the earlier approach to welfare reform. More liberal diversion payments, support services, and referrals to other social services are now the preferred methods for keeping individuals off the rolls.

Still, even with these programs in place, caseloads have grown over the past year. While still far below caseloads under the last years of AFDC, the rate of growth has been significant — especially in distressed counties. Contrary to the common notion that those who remain on welfare are the hardest to place, the caseload today again reflects the diversity of needs and circumstances traditionally associated with those seeking public assistance. That itself is an important lesson. For a nation facing an economic downturn, experiences and prospects in implementing welfare reform in a hard place have much to teach.

Endnotes

1 Roul Tunley, "The Strange Case of West Virginia," *Saturday Evening Post*, February 6, p. 19. Williams (1984: 184) notes, "'Appalachia,' once a specialized term used mainly by geologists, became a code word that summed up all the things that made West Virginia different from the rest of the nation, the good things as well as the bad."

2 During the recession of the early 1990s, the national unemployment rate ranged from 5.8 percent in 1990 to 7.5 percent in 1992. For the past three years, West Virginia's unemployment rate has dropped to historical lows, ranging between 6.9 percent in 1997 to 6.6 percent in 1999. During 2000, the monthly unemployment rate improved and in November stood at 5.5 percent (West Virginia Bureau of Employment Services, 2001).

3 Among the criteria used to establish distressed counties are poverty rates and three-year unemployment rates. County poverty rates are measured in terms of per capita income, excluding transfer payments. This rate must be two-thirds or less than the national average for a county to satisfy the distressed criterion. Counties that have a three-year unemployment rate greater than 150 percent of the national average satisfy the unemployment criterion for distressed status (Wood and Bischak 2000: 1). The state's per capita market income was 65 percent of the national average in 1997 (Appalachian Regional Commission 1999a). As of 1998, county unemployment rates were as high as 332 percent of the national average. For

the state as a whole, the rate was 147 percent of the national average (Appalachian Regional Commission 1999b).

4 Author's calculations. Caseload data for 1995 are from the West Virginia Department of Health and Human Resources, Offices of Research and Analysis (1999a), and represent the average monthly caseload for the state fiscal year. Caseload data for 2000 are from legislative briefing documents developed by the West Virginia Department of Health and Human Resources, and are for the calendar year. Population data are from census estimates from 1995 and 1997 (see West Virginia Bureau for Employment Programs 1999, and West Virginia University Bureau for Business and Economic Research 1999).

5 This fear was so strong that West Virginia was one of a few states that committed a 100 percent maintenance-of-effort match to the federal block grant so it would qualify for special contingency funds should an economic downturn occur. Under the law, states were required to match at least 80 percent of what they had paid in matching funds to the federal government under the AFDC program in the early and mid-1990s. In 2000, finally confident that it could afford TANF, West Virginia became the last state to lower its maintenance-of-effort match from 100 to 80 percent (WV Department of Health and Human Resources 2000c).

6 In 1997, the federal participation rate set by PRWORA was 25 percent. In 1998, it was 30 percent, and in 1999 it was 35 percent.

7 A case usually represents a family; the average case includes 2.7 individuals. Seasonal variations in caseloads reflect changes in employment and possibly higher fuel and utility costs during the winter.

8 The Department of Health and Human Resources contracts with sponsoring agencies; state regulations also allow placements in the department's own offices. A participant cannot work in the same placement site for more than 12 months

9 The 1997 average for the state is amplified by the fact that there were relatively few WVWORKS participants during the year. The program was implemented on a county-by-county basis and was not fully operational until January 1998.

10 Interestingly, the state has won federal "high performance bonuses" for the past two years, first for job-entry improvement, and second for boosting the overall success of TANF recipients in the workforce (measured by wage gains and job retention). But these improvements are relative to the state's performance the previous fiscal year. Thus, while it received a job-entry performance award for fiscal year 1998, the state still ranked among the bottom two states in actual job entry (U.S. Department of Health and Human Services, 1999a). For fiscal year 1999, the state received a bonus for improved workforce success but still ranked among the bottom three states in actual performance in job entry and success in the workplace (U.S. Department of Health and Human Services, 2000d).

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